
VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014



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VILLAGE OF ESTHERWOOD, LOUISIANA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Honorable Anthony Borill, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 34-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2015, on our consideration of the Village's internal control over financial reporting and on tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Lafayette, Louisiana

January 14, 2015

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

This section of the Village of Estherwood's (the Village) annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the transmittal letter at the front of this report and the Village's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Village's combined total net position increased by \$281,955 or 17.6% over the course of this year's operations. Net position of the governmental activities decreased \$375,592 or 42.6% while net position of the business-type activities increased \$657,547 or 91.5%.
- The general fund reported a \$23,291 fund balance at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water, sewer, and gas systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Figure A-1
Major Features of the Village's Government and Fund Financial Statements

Fund Statements					
		Government-wide Statements		Governmental Funds	
				Proprietary Funds	
Scope		Entire Village government (except fiduciary funds)		The activities of the Village that are not proprietary or fiduciary, such as sales tax, police, and streets	
Required financial statements		<ul style="list-style-type: none"> • Statement of net position • Statement of activities 		<ul style="list-style-type: none"> • Balance Sheet • Statement of revenues, expenditures, and changes in fund balances 	
Accounting basis and measurements focus		Accrual accounting and economic resources focus		Modified accrual accounting and current financial resources focus	
Type of asset/liability information		All assets and liabilities, both financial and capital, and short-term and long-term		Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	
Type of inflow/outflow information		All revenues and expenses during year, regardless of when cash is received or paid		Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payments are due during the year or soon thereafter	

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Village's net positions and how they have changed. Net position—the difference between the Village's assets and liabilities—is one way to measure the Village's financial health or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's infrastructure.

The government-wide financial statements of the Village are divided into two categories:

- Governmental activities—most of the Village's basic services are included here, such as the police, public works, and general administration. Property taxes, sales taxes, franchise fees, and interest finance most of these activities.
- Business-type activities—The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water, sewer, and gas systems are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's most significant funds—not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law, while others may be required by bond covenants. The Village has two kinds of funds:

- Governmental funds—Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Proprietary funds—Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. In fact, the Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

	Table A-1					
	Village's Net Position					
	Governmental Activities			Business-Type Activities		
	2014		2013	2014		2013
Current and other assets	\$ 30,321		\$ 382,641	\$138,468		\$(161,196)
Capital assets	484,585		511,941	1,310,819		981,338
Total assets	514,906		894,582	1,449,287		820,142
Current liabilities	7,750		10,974	73,410		101,812
Long term liabilities	-		860	-		-
Total liabilities	7,750		11,834	73,410		101,812
Net position						
Net investment in						
capital assets	483,865		509,611	1,310,819		981,338
Unrestricted	23,291		373,137	65,058		(263,008)
Total net position	\$ 507,156		\$ 882,748	\$ 1,375,877		\$ 718,330

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Change in net position. The Village's total revenues increased \$333,586 (See Table A-2). The increase was primarily attributable to a large capital grant from the State of Louisiana. During 2014, approximately 48.5 percent of the Village's revenue come from capital grants and contributions, 35.3 percent from charges for services, and 11.1 percent comes from tax collections. The total cost of all programs and services increased by \$25,507.

	Table A-2					
	Changes in Village's Net Position					
	Governmental Activities			Business-Type Activities		
	2014		2013	2014		2013
Revenues						
Program revenues						
Charges for services	\$ 15,881		\$ 36,083	\$ 262,629		\$ 238,988
Capital grants and contributions	-		-	382,581		57,685
General revenues						
Taxes	87,631		97,648	-		-
Licenses and permits	20,656		19,180	-		-
Miscellaneous	17,584		4,400	2,244		1,636
Total revenues	141,752		157,311	647,454		298,309
Expenses						
General government	90,865		94,072	-		-
Public safety	25,569		31,413	-		-
Public works	60,139		75,556	330,513		280,385
Debt service expenses:						
Interest and fiscal charges	165		318	-		-
Total expenses	176,738		201,359	330,513		280,385
Transfers in (out)	(340,606)		-	340,606		-
Increase (decrease) in net position	\$ (375,592)		\$ (44,048)	\$ 657,547		\$ 17,924

Governmental Activities

Revenues for the Village's governmental activities decreased \$15,559 or 9.9 percent, while total expenses decreased \$24,621 or 12.2 percent.

Business-type Activities

Revenues for the Village's business-type activities increased \$349,145 or 117.0 percent and costs of services increased \$50,128 or 17.9 percent.

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund reported a fund balance of \$23,291 while the enterprise funds reported combined net position of \$1,375,877.

General Fund Budgetary Highlights

Over the course of the year, the Village Council revised the Village's General Fund budget to adjust various revenues and expenses. With these adjustments, actual expenditures were approximately \$1,800 less than final budgeted expenditures. Also, actual revenues were approximately \$700 less than final budgeted revenues.

CAPITAL ASSETS

At June 30, 2014, the Village had invested approximately \$1.8 million in a broad range of capital assets, including police department equipment, buildings, vehicles, and gas, sewer, and water systems. (See Table A-3) This amount represents a net increase (including additions and deductions) of \$302,125 over last year.

Table A-3					
Village's Capital Assets					
	Governmental Activities			Business Activities	
	2014		2013	2014	2013
Improvements other than buildings	\$ 343,121		\$ 343,121	-	-
Buildings	133,025		133,025	-	-
Infrastructure	827,238		827,238	2,433,321	1,952,567
Equipment	150,881		135,276	120,796	120,796
Land	10,479		10,479	37,480	37,480
Construction in Progress	-		-	-	100,662
Accumulated depreciation	(980,159)		(937,198)	(1,280,778)	(1,230,167)
Total	\$ 484,585		\$ 511,941	\$ 1,310,819	\$ 981,338

VILLAGE OF ESTHERWOOD, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

Long-term debt. At the end of the current fiscal year, the Village had long term debt outstanding of \$720 as compared to \$2,330 in the prior year, a decrease of \$1,610. (See Table A-4) This decrease is due to principal payments on the Village's capital lease. More information about the Village's long-term liabilities is presented in Note 8 to the financial statements.

Table A-4					
Village's Outstanding Debt					
	Governmental Activities		Business Activities		
	2014	2013	2014	2013	
Capital Leases	\$ 720	\$ 2,330	-	-	
Total	\$ 720	\$ 2,330	-	-	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's major sources of revenue for the general fund are comprised from sales tax, licenses and permits, and charges for services. The economy is not expected to generate any significant change in the next fiscal year.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village Office (P.O. Box 167, Estherwood, LA 70534).

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash	\$ 24,322	\$ 65,663	\$ 89,985
Accounts receivable, net	-	20,980	20,980
Unbilled services receivable	-	8,495	8,495
Franchise fee receivable	1,152	-	1,152
Due from other governmental agencies	4,847	-	4,847
Restricted assets:			
Cash	-	33,255	33,255
Certificates of deposit	-	10,075	10,075
Capital assets:			
Non-depreciable	10,479	37,480	47,959
Depreciable, net	474,106	1,273,339	1,747,445
TOTAL ASSETS	<u>514,906</u>	<u>1,449,287</u>	<u>1,964,193</u>
<u>LIABILITIES:</u>			
Accounts payable	7,030	30,080	37,110
Customer deposits	-	43,330	43,330
Long-term liabilities:			
Due within one year	720	-	720
TOTAL LIABILITIES	<u>7,750</u>	<u>73,410</u>	<u>81,160</u>
<u>NET POSITION:</u>			
Net investment in capital assets	483,865	1,310,819	1,794,684
Unrestricted	23,291	65,058	88,349
TOTAL NET POSITION	<u>\$ 507,156</u>	<u>\$ 1,375,877</u>	<u>\$ 1,883,033</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/ Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental:						
General government	\$ 90,865	\$ -	\$ -	\$ (90,865)	\$ -	\$ (90,865)
Public safety	25,569	12,681	-	(12,888)	-	(12,888)
Public works	60,139	3,200	-	(56,939)	-	(56,939)
Interest expense	165	-	-	(165)	-	(165)
Total governmental activities	<u>\$ 176,738</u>	<u>\$ 15,881</u>	<u>\$ -</u>	<u>\$ (160,857)</u>	<u>\$ -</u>	<u>\$ (160,857)</u>
Business-type:						
Water	\$ 154,762	\$ 114,420	\$ 2,807	\$ -	\$ (37,535)	\$ (37,535)
Gas	77,321	81,245	-	-	3,924	3,924
Sewer	98,430	66,964	379,774	-	348,308	348,308
Total business-type activities	<u>\$ 330,513</u>	<u>\$ 262,629</u>	<u>\$ 382,581</u>	<u>\$ -</u>	<u>\$ 314,697</u>	<u>\$ 314,697</u>
Total	<u>\$ 507,251</u>	<u>\$ 278,510</u>	<u>\$ 382,581</u>	<u>\$ (160,857)</u>	<u>\$ 314,697</u>	<u>\$ 153,840</u>
General revenues:						
Taxes-						
Property				\$ 18,538	\$ -	\$ 18,538
Sales				42,371	-	42,371
Franchise				26,722	-	26,722
Licenses and permits				20,656	-	20,656
Grants and contributions not restricted to specific programs				559	-	559
Investment income				4	17	21
Miscellaneous				17,021	2,227	19,248
Total general revenues				<u>\$ 125,871</u>	<u>\$ 2,244</u>	<u>\$ 128,115</u>
Transfers in (out)				<u>\$ (340,606)</u>	<u>\$ 340,606</u>	<u>\$ -</u>
Change in net position				<u>\$ (375,592)</u>	<u>\$ 657,547</u>	<u>\$ 281,955</u>
Net position, beginning				<u>882,748</u>	<u>718,330</u>	<u>1,601,078</u>
Net position, ending				<u>\$ 507,156</u>	<u>\$ 1,375,877</u>	<u>\$ 1,883,033</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014

	General Fund
<u>ASSETS</u>	
Cash	\$ 24,322
Due from other governmental agencies	4,847
Franchise fee receivable	<u>1,152</u>
 TOTAL ASSETS	 <u><u>30,321</u></u>
 <u>LIABILITIES</u>	
Accounts payable	<u>7,030</u>
TOTAL LIABILITIES	<u>7,030</u>
 <u>FUND BALANCES</u>	
Unassigned	<u>23,291</u>
TOTAL FUND BALANCES	<u>23,291</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 30,321</u></u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances at June 30, 2014 - governmental fund \$ 23,291

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets at June 30, 2014	\$ 1,464,744	
Less: Accumulated depreciation at June 30, 2014	<u>(980,159)</u>	484,585

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Note payable	<u>(720)</u>
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Net position at June 30, 2014 - Governmental Activities	<u><u>\$ 507,156</u></u>
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See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
JUNE 30, 2014

	General Fund
<u>REVENUES:</u>	
Sales taxes	\$ 42,371
Property taxes	18,538
Franchise taxes	26,722
Licenses and permits	20,656
Intergovernmental	1,759
Charges for services	3,200
Fines	11,481
Investment income	4
Miscellaneous	17,021
Total revenues	141,752
<u>EXPENDITURES:</u>	
Current-	
General government	74,352
Public safety	23,082
Public works	31,038
Debt service-	
Principal	1,610
Interest	165
Capital outlay	20,745
Total expenditures	150,992
Deficiency of revenues over expenditures	(9,240)
<u>OTHER FINANCING USES</u>	
Transfers out	(340,606)
	(340,606)
Net change in fund balances	(349,846)
Fund balances, beginning	373,137
Fund balances, ending	\$ 23,291

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - governmental fund		\$ (349,846)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 15,605	
Depreciation expense	<u>(42,961)</u>	(27,356)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction has no effect on net position.		
Principal payments on note payable		<u>1,610</u>
Changes in net position of governmental activities		<u><u>\$ (375,592)</u></u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
<u>ASSETS:</u>				
Cash	\$ 19,928	\$ 26,039	\$ 19,696	\$ 65,663
Accounts receivable, net	11,003	3,810	6,167	20,980
Unbilled services receivable	4,495	1,484	2,516	8,495
Restricted assets:				
Cash	12,199	8,550	12,506	33,255
Certificates of deposit	4,267	2,785	3,023	10,075
Capital assets:				
Non-depreciable	-	-	37,480	37,480
Depreciable, net	118,555	657	1,154,127	1,273,339
TOTAL ASSETS	<u>170,447</u>	<u>43,325</u>	<u>1,235,515</u>	<u>1,449,287</u>
TOTAL ASSETS	<u>\$ 170,447</u>	<u>\$ 43,325</u>	<u>\$ 1,235,515</u>	<u>\$ 1,449,287</u>
<u>LIABILITIES:</u>				
Accounts payable	24,922	1,455	3,703	30,080
Current liabilities paid from restricted funds:				
Customers' deposits	16,466	11,335	15,529	43,330
TOTAL LIABILITIES	<u>41,388</u>	<u>12,790</u>	<u>19,232</u>	<u>73,410</u>
<u>NET POSITION:</u>				
Net investment in capital assets	118,555	657	1,191,607	1,310,819
Unrestricted	10,504	29,878	24,676	65,058
TOTAL NET POSITION	<u>129,059</u>	<u>30,535</u>	<u>1,216,283</u>	<u>1,375,877</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 170,447</u>	<u>\$ 43,325</u>	<u>\$ 1,235,515</u>	<u>\$ 1,449,287</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF REVENUE, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
Operating revenue:				
Charges for services	\$ 114,420	\$ 81,245	\$ 66,964	\$ 262,629
Miscellaneous	1,214	1,013	-	2,227
Total operating revenues	115,634	82,258	66,964	264,856
Operating expenses:				
Salaries and payroll taxes	24,706	23,866	24,706	73,278
Materials and supplies	7,272	4,462	9,968	21,702
Office expenses	1,826	1,204	901	3,931
Depreciation	8,798	995	40,818	50,611
Utilities and telephone	710	509	7,407	8,626
Water purchased	66,795	-	-	66,795
Fuel purchased	-	27,681	-	27,681
Professional services	14,648	-	2,547	17,195
Repairs and maintenance	9,231	2,595	3,732	15,558
Insurance	4,355	5,837	1,797	11,989
Miscellaneous	16,421	10,172	6,554	33,147
Total operating expenses	154,762	77,321	98,430	330,513
Operating income (loss)	(39,128)	4,937	(31,466)	(65,657)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	152,578	84,198	127,018	363,794
Transfers out	(13,280)	(9,908)	-	(23,188)
Total other financing sources	139,298	74,290	127,018	340,606
Nonoperating revenue:				
Grant revenue	2,807	-	-	2,807
Investment income	9	4	4	17
Total nonoperating revenue	2,816	4	4	2,824
Income before capital contributions	102,986	79,231	95,556	277,773
Capital contributions	-	-	379,774	379,774
Change in net position	102,986	79,231	475,330	657,547
Net position (deficit), beginning	26,073	(48,696)	740,953	718,330
Net position, ending	\$ 129,059	\$ 30,535	\$ 1,216,283	\$ 1,375,877

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Water Utility Fund</u>	<u>Gas Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 115,264	\$ 81,380	\$ 67,682	\$ 264,326
Payments to suppliers for goods and services	(104,134)	(52,615)	(81,047)	(237,796)
Payments to employees for services	(24,706)	(23,866)	(24,706)	(73,278)
Other operating receipts	1,214	1,013	-	2,227
Net cash provided by (used in) operating activities	<u>(12,362)</u>	<u>5,912</u>	<u>(38,071)</u>	<u>(44,521)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>				
Increase in customers' deposits	1,175	385	1,210	2,770
Payments to and from other funds, net	18,454	(291)	(18,497)	(334)
Net cash provided by (used in) non-capital financing activities	<u>19,629</u>	<u>94</u>	<u>(17,287)</u>	<u>2,436</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest on investment	<u>9</u>	<u>4</u>	<u>4</u>	<u>17</u>
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>				
Purchase of capital assets	-	(318)	(379,774)	(380,092)
Grant revenue	2,807	-	430,195	433,002
Net cash (used in) capital financing activities	<u>2,807</u>	<u>(318)</u>	<u>50,421</u>	<u>52,910</u>
Net increase (decrease) in cash and cash equivalents	10,083	5,692	(4,933)	10,842
Cash and cash equivalents, July 1, 2013	<u>22,044</u>	<u>28,897</u>	<u>37,135</u>	<u>88,076</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 32,127</u>	<u>\$ 34,589</u>	<u>\$ 32,202</u>	<u>\$ 98,918</u>
Classified as:				
Current assets	\$ 19,928	\$ 26,039	\$ 19,696	\$ 65,663
Restricted assets	12,199	8,550	12,506	33,255
Total	<u>\$ 32,127</u>	<u>\$ 34,589</u>	<u>\$ 32,202</u>	<u>\$ 98,918</u>
<u>Reconciliation of net income to net cash provided by operating activities:</u>				
Income (loss) from operations	\$ (39,128)	\$ 4,937	\$ (31,466)	\$ (65,657)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation expense	8,798	995	40,818	50,611
Change in assets and liabilities:				
Receivables, net	844	135	718	1,697
Accounts payable	17,124	(155)	(48,141)	(31,172)
Net cash provided by (used in) operating activities	<u>\$ (12,362)</u>	<u>\$ 5,912</u>	<u>\$ (38,071)</u>	<u>\$ (44,521)</u>

See accompanying notes and independent auditors' report.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Village of Estherwood, Louisiana (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Village are described below.

Financial Reporting Entity:

A financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Primary Government-

The Village was incorporated in 1901, under the Lawrason Act. The Village operates under a Mayor- Board of Aldermen form of government and provides the following services to its residents as authorized by its charter: public safety (police), highways and streets, recreation, and general administrative services. The Village also operates three enterprise activities, which provide water, gas, and sewer services.

Component Units-

Governmental Accounting Standards Board (GASB) codification section 2100 establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. A potential component unit must have separate corporate powers that distinguish it as being legally separate from the primary government. These include the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued in its own name without recourse to a State or local government, and the right to buy, sell, lease, and mortgage property in its own name.
2. The primary government must be financially accountable for a potential component unit. Financial accountability may exist as a result of the primary government appointing a voting majority of the potential component unit's governing body; their ability to impose their will on the potential component unit by significantly influencing the programs, projects, activities, or lower level of services performed or provided by the potential component unit, or the existence of a financial benefit or burden. In addition, financial accountability may also exist as a result of a potential component unit being fiscally dependent on the primary government and having a financial benefit/burden relationship.

In some instances, the potential component unit should be included in the reporting entity (even when the criteria in No. 2 above are not met), if exclusion would render the reporting entity's financial statements incomplete or misleading.

Based on the above criteria, the Village does not have any component units.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation:

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. The minimum number of funds maintained by the Village is consistent with legal and managerial requirements.

A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the restrictions, if any, on the spending activities.

The basic financial statements includes both government-wide (reporting on the government of the Village as a whole) and fund financial statements (reporting the Village's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Village's public safety, public works, culture and recreation, and general administrative services are classified as governmental activities. The Village's water, gas, and sewer operations are classified as business-type activities.

Government-Wide Financial Statements-

The government-wide financial statements include a statement of net position and statement of activities. These statements report financial information about the Village as a whole. In the process of aggregating data for the statement of net position and the statement of activities some amounts reported as interfund activity and balances in the fund financial statements were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities and the business-type activities column of the government-wide financial statements.

In the statement of net position, the governmental activities column (1) is presented on a consolidated basis by column, and (2) is reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net position is reported in three parts: (1) invested in capital assets, net of related debt, (2) restricted net position, and (3) unrestricted net position. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A "function" is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses associated with a distinct functional activity. Program revenues includes: (1) charges for services which report fees, fines, and forfeits, and other charges to users of the Village's services, (2) operating grants and contributions which finance annual operating activities, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues may be subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Village reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included as a direct expense of each function. Interest on long-term debt is also specifically identified in the statement of activities. The Village does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net position resulting from the current year's activities.

Fund Financial Statements-

The fund financial statements provide information about the Village's funds. Separate statements for each fund category- governmental and proprietary- are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

The Village reports the following major governmental fund:

General Fund- used to account for all financial resources traditionally associated with governments that are not required to be accounted for in another fund.

The Village reports the following major proprietary funds:

Water Utility Fund- used to account for the provision of water services to the residents of the Village.

Gas Utility Fund- used to account for the provision of natural gas services to the residents of the Village.

Sewer Utility Fund- used to account for the provision of sewer services to the residents of the Village.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds are summarized into a single column (although the Village has no nonmajor funds at this time). GASB statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis- for State and Local Governments," sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and proprietary funds combined) for the determination of major funds.

Application of the accrual basis of accounting may, at times, require use of certain private sector standards issued by the Financial Accounting Standards Board (FASB) prior to November 30, 1989. In determining which of those standards to apply, the Village follows the guidance included in GASB Statement No. 62 - Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting – Measurement Focus:

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements; measurement focus refers to what is being measured. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-Wide and Proprietary Fund Financial Statements-

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Governmental Fund Financial Statements-

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance (net current assets) is considered a measure of “available spending resources.” Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spending resources” during a period. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collection within the current period or soon enough thereafter to be used to pay liabilities of the current period. Taxpayer-assessed income, gross receipts, and sales and use taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditure driven grant revenues are recorded when the qualifying expenditures have been incurred and all other grant requirements have been met. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued because they do not vest or accumulate, and (2) principal and interest on general long-term debt which is recognized when due.

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Equivalents:

Cash includes amounts in demand deposits and on hand. For purposes of reporting cash flows, the Village considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Village has no cash equivalents at June 30, 2014.

Investments:

Under State law, the Village may invest in United States bonds, treasury notes or certificates, or time certificates of deposit of State banks having their principal office in the State of Louisiana, or any other federally insured investment. The Village may also invest in shares of any homestead and building and loan association in any amount not exceeding the federally insured amount. The Village's investments at June 30, 2014, consisted of time certificates of deposit purchased from local financial institutions. These certificates of deposit are not subject to GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investment and for External Investment Pools," and are therefore stated at cost.

Custodial Credit Risk:

The Village is subjected to custodial credit risk as it relates to their deposits with financial institutions. The Village's policy to ensure there is no exposure to this risk is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage. These securities must be held in the Village's name. Accordingly, the Village had no custodial credit risk related to its deposits at June 30, 2014.

Receivables:

Accounts receivable for the Water, Gas and Sewer Utility Funds are reported net of an allowance for doubtful accounts. The allowance at June 30, 2014 for the Water, Gas, and Sewer Utility funds was \$1,249, \$ 5,177, and \$987, respectively.

Interfund Receivables and Payables:

During the course of operations, numerous transactions occur between individual funds for goods and services rendered. These receivables and payables are classified as due from other funds or due to other funds in the fund financial statements. Short-term interfund loans are classified as interfund receivables/ payables in the fund financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as "internal balances."

Restricted Assets:

Certain resources of the Water, Gas, and Sewer Utility funds are classified as restricted assets in the financial statements because they represent customer's deposits being held by the Village.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets:

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements-

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost and have been included in the accompanying financial statements.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Building and Improvements	20-40
Machinery and Equipment	5-10
Infrastructure	20
Water Utility System	10-25
Gas Utility System	10-25
Sewer Utility System	10-25

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund Financial Statements-

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences:

Sick leave is credited to permanent full-time employees at a rate of 1.25 days for each month of continuous employment. Unused sick leave is not paid upon termination or separation from employment and is therefore not recorded in the financial statements. Employees earn vacation leave at varying rates of 10 to 20 days per year, depending on length of service. Unused vacation leave is paid upon termination or separation from employment. As of June 30, 2014, any liability for this accumulated leave is considered immaterial to the financial statements taken as a whole and is therefore not recorded.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt:

The accounting treatment of long-term debt depends on whether the debt relates to governmental or proprietary fund obligations and whether it is being reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Long-term debt in proprietary fund operations is accounted for the same in the fund financial statements as it is in the government-wide statements.

Deferred Outflows and Deferred Inflows:

The Village has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of the government's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period. The Village had no deferred outflows or deferred inflows at June 30, 2014.

Equity classifications:

Government-wide statements-

Net Position

As mentioned in the above paragraph, the Village has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Inflows are, by definition, neither assets nor liabilities, the statement of net assets title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components—net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of borrowings for capital asset acquisition, construction, or improvement of those assets, increased by deferred outflows of resources attributable to capital asset acquisition, construction or improvement, and deferred inflows of resources attributable to either capital asset acquisition, construction, or improvement or to capital asset related debt. Capital-related debt or deferred inflows equal to unspent capital asset related debt proceeds or deferred inflows of resources is included in calculating either restricted or unrestricted net position, depending upon whether the unspent amounts are restricted.

Restricted net position reflects net position when there are limitations imposed on a net position's use by external parties such as creditors, grantors, laws or regulations of other governments. Restricted net

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

position consists of restricted assets less liabilities related to restricted assets less deferred inflows related to restricted assets. Liabilities and deferred inflows related to restricted assets include liabilities and deferred inflows to be liquidated with restricted assets and arising from the same resource flow that results in restricted assets. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Unrestricted net position is the balance (deficit) of all other elements in a statement of net position remaining after net investment in capital assets and restricted net position.

Fund Financial Statements- Equity

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below in accordance with Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*:

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget document as a commitment of the fund (such as for special incentives). Assigned fund balance is established by the Village's management as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bad Debts:

Uncollectible amounts due from customers' utility receivables are recognized as bad debts by the use of the allowance method.

Interfund Transfers:

Permanent reallocations of resources between funds of the primary government are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and individual proprietary funds have been eliminated.

Impairments:

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Village is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The Village recorded no impairment losses during the year ended June 30, 2014.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reporting period. Accordingly, actual results could differ from those estimates.

2. PROPERTY TAXES

Government-Wide Financial Statements:

Property taxes are recognized in the year for which they are levied, net of uncollectible amounts, as applicable.

Governmental Fund Financial Statements:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and are payable by December 31. The Village bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended June 30, 2014, property taxes of 7.06 mills were levied for general corporate purposes on assessed valuations totaling \$1,801,930. Total taxes levied were \$12,722.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

3. COMPENSATION PAID TO ELECTED OFFICIALS

Compensation paid to elected officials for the year ended June 30, 2014 includes:

Anthony Borill, Mayor	\$ 1,200
Timothy Savant, Alderman	600
Donald Popp, Alderman	600
Donna Bertrand, Alderman	600
Kevin LeBlanc, Chief of Police	<u>5,550</u>
	<u><u>\$ 8,550</u></u>

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

Due from other governmental agencies at June 30, 2014 consisted of the following:

Sales and use tax receivable	\$ 3,247
State highway maintenance fees receivable	<u>1,600</u>
	<u><u>\$ 4,847</u></u>

5. INTERFUND TRANSFERS

Transfers between funds during the year ended June 30, 2014 are as follows:

	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>
General Fund	\$ 340,606	\$ -
Water Utility Fund	13,280	152,578
Gas Utility Fund	9,908	84,198
Sewer Utility fund	<u>-</u>	<u>127,018</u>
Total interfund balances	<u><u>\$ 363,794</u></u>	<u><u>\$ 363,794</u></u>

The transfers during the year ended June 30, 2014 related to the repayment of balances owed between funds.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. CAPITAL ASSETS AND DEPRECIATION

Capital assets activity for the year ended June 30, 2014 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 10,479	\$ -	\$ -	\$ 10,479
Capital assets being depreciated				
Buildings and improvements	\$ 133,025	\$ -	\$ -	\$ 133,025
Land improvements	343,121	-	-	343,121
Machinery and equipment	135,276	15,605	-	150,881
Infrastructure	827,238	-	-	827,238
Total capital assets being depreciated	<u>\$ 1,438,660</u>	<u>\$ 15,605</u>	<u>\$ -</u>	<u>\$ 1,454,265</u>
Less accumulated depreciation for				
Buildings and improvements	\$ (93,380)	\$ (3,639)	\$ -	\$ (97,019)
Land Improvements	(343,121)	-	-	(343,121)
Machinery and Equipment	(108,072)	(13,161)	-	(121,233)
Infrastructure assests	(392,625)	(26,161)	-	(418,786)
Total accumulated depereciatiion	<u>\$ (937,198)</u>	<u>\$ (42,961)</u>	<u>\$ -</u>	<u>\$ (980,159)</u>
Total governmental Capital assets being depreciated, net	<u>\$ 501,462</u>	<u>\$ (27,356)</u>	<u>\$ -</u>	<u>\$ 474,106</u>
Total governmental activities capital assets, net	<u>\$ 511,941</u>	<u>\$ (27,356)</u>	<u>\$ -</u>	<u>\$ 484,585</u>

(continued)

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. CAPITAL ASSETS AND DEPRECIATION (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business -type activities:				
Capital assests, not being depreciated				
Land	\$ 37,480	\$ -	\$ -	\$ 37,480
Construction in progress	100,662	379,774	(480,436)	-
Total capital assets not being depreciated	<u>\$ 138,142</u>	<u>\$ 379,774</u>	<u>\$ (480,436)</u>	<u>\$ 37,480</u>
Capital assets being depreciated				
Water utility system	\$ 433,701	\$ -	\$ -	\$ 433,701
Gas utility system	55,962	318	-	56,280
Sewer utility system	1,462,904	480,436	-	1,943,340
Machinery and equipment	120,796	-	-	120,796
Total capital assets being depreciated	<u>\$ 2,073,363</u>	<u>\$ 480,754</u>	<u>\$ -</u>	<u>\$ 2,554,117</u>
Less accumulated depreciation for				
Water utility system	\$ (310,605)	\$ (7,937)	\$ -	\$ (318,542)
Gas utility system	(55,962)	(16)	-	(55,978)
Sewer utility system	(765,618)	(34,836)	-	(800,454)
Machinery and equipment	(97,982)	(7,822)	-	(105,804)
Total accumulated depreciation	<u>\$ (1,230,167)</u>	<u>\$ (50,611)</u>	<u>\$ -</u>	<u>\$ (1,280,778)</u>
Total Business-type assets being depreciated, net	<u>\$ 843,196</u>	<u>\$ 430,143</u>	<u>\$ -</u>	<u>\$ 1,273,339</u>
Total Business-type activities capital assets, net	<u><u>\$ 981,338</u></u>	<u><u>\$ 809,917</u></u>	<u><u>\$ (480,436)</u></u>	<u><u>\$ 1,310,819</u></u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

6. CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation Expense for the year ended June 30, 2014 was charged as follows:

Governmental Activities:

General government	\$ 11,373
Public safety	2,487
Public works	<u>29,101</u>

Total Governmental activities depreciation expense	<u>\$ 42,961</u>
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Business-type activities:

Water	\$ 8,798
Gas	995
Sewer	<u>40,818</u>

Total business-type activities depreciation expense	<u>\$ 50,611</u>
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7. OPERATING LEASES

The Village has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations. These leases are for copy machines and support government activities. Operating lease expenditures for the year ended June 30, 2014 totaled \$1,070.

8. LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2014:

Note payable to financing company, due in
monthly installments of \$148, including
interest of 9.00%, due on December 20, 2014,
Secured by piece of equipment

\$ 720

Required principal and interest payments to maturity of long-term debt at June 30, 2014 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 720	\$ 18	\$ 738
	<u>\$ 720</u>	<u>\$ 18</u>	<u>\$ 738</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

8. LONG-TERM DEBT (continued)

Changes in Long-Term Debt. The following is a summary of debt transactions of the Village for the year ended June 30, 2014:

	<u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>2014</u>	<u>Portion</u>
Note payable	<u>\$ 2,330</u>	<u>\$ -</u>	<u>\$ (1,610)</u>	<u>\$ 720</u>	<u>\$ 720</u>

For the year ended June 30, 2014, the total interest incurred and expensed was \$165.

9. DEDICATION OF SALES AND USE TAX PROCEEDS

The proceeds of the 1% sales and use tax are accounted for in the General Fund and are restricted to the following purposes:

1. Construction and purchasing a fire department station, fire fighting and fire protection equipment, and other works of public improvement related thereto.
2. Constructing, acquiring, extending, or improving a sewer plant and sewer system and operating the same.
3. For any other lawful corporate purpose, title to which shall be in the public.

10. INSURANCE RISK

The Village is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover any claims related to these risks.

11. COMMITMENTS AND CONTINGENCIES

The Village operates a Sanitary Wastewater Disposal System under a NPEDS permit. The NPEDS permit and the State permit under which the discharge is regulated has been the subject of scrutiny by the Environmental Protection Agency (EPA) and the Department of Environmental Quality. The Village is under an Administrative Order to upgrade its facility in order to comply with the permit and the expected more stringent permit discharges. The Village has been cited for past violations and a compliance order was issued. The Village has completed the building and rehabilitation of the sewer pond and the addition of a marsh/rockweed filter to achieve those limits. The Village continues to make efforts to comply with the permit limitations for discharge and to maintain the plant in accordance with those standards. While the Village is making efforts to resolve the violations detailed in the Administrative Order, the EPA is authorized to assess appropriate penalties if the violations are not corrected. As of June 30, 2014, the Village has not been assessed any such penalties.

VILLAGE OF ESTHERWOOD, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

11. COMMITMENTS AND CONTINGENCIES (continued)

In the normal course of operations, the Village receives grant funds from various Federal and State agencies. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. The Village's management believes that any liability for reimbursement that may arise as a result of these audits would not be material to the Village's financial statements.

12. WHOLESALE WATER AGREEMENT

The Village entered into an agreement to purchase water for resale to its retail customers at a cost of \$1.50 per thousand (1,000) gallons from the Southwest Acadia Water Corporation, Inc. (the "SWAWC"). Water use by the Village in the act of combating fire, for fire training (up to a maximum of 10,000 gallons per month), and for the purpose of flushing lines (up to a maximum of 20,000 gallons per month) are deducted from the Village's usage in determining cost of water used. The Village is allowed one board member on the board of directors of SWAWC. The rate was to be effective for a period of five years from the date of first delivery of water (February 2008) under the agreement, at the end of which the rate can be adjusted by SWAWC. In June of 2010, the amounts paid by the Village for water increased to \$500 for the first 150,000 gallons plus \$2.00 per thousand (1,000) gallons thereafter as a result of SWAWC being in Chapter 11 bankruptcy. In September and December of 2010, the rates increased to \$2.50 and \$3.00, respectively, per thousand (1,000) gallons after the first 150,000 gallons. Pursuant to bankruptcy proceedings, the Egan Water Corporations took control of the water production entity. The Village continues to purchase water monthly from Egan Water Corporation at a rate of \$500 for the first 150,000 gallons, plus \$3.00 per thousand (1,000) gallons, thereafter. Water purchased under this agreement totaled \$66,795 for the year ended June 30, 2014.

13. ON-BEHALF PAYMENTS FOR SALARIES

The Village's financial statements includes payments totaling \$1,200 from the State of Louisiana for supplemental pay of the Chief of Police, which have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

14. SUBSEQUENT EVENTS

On August 1, 2014, the Village entered into a loan and pledge agreement with the Louisiana Department of Health and Hospitals for \$990,000 in a Revolving Loan Fund. The funds from the State Revolving Fund are restricted to financing a portion of the costs of constructing and acquiring improvements, extensions, and replacements to its waterworks system (the Project). The Village, by ordinance of its governing authority adopted on January 17, 2013, has authorized the incurring of debt and the issuance of its Taxable Utilities Revenue Bond, Series 2014 in an amount not to exceed \$990,000, for the purpose of paying costs of the Project. The Bonds are proposed to be purchased by the Department using available moneys in the State Revolving Fund.

Management has evaluated events occurring after June 30, 2014 through January 14, 2015, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

See Independent Auditors' Report

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes-				
Property	\$ 17,715	\$ 18,350	\$ 18,538	\$ 188
Sales taxes	45,000	45,000	42,371	(2,629)
Electric franchise	30,000	33,000	25,668	(7,332)
Telephone franchise	1,500	1,425	1,054	(371)
Total taxes	<u>94,215</u>	<u>97,775</u>	<u>87,631</u>	<u>(10,144)</u>
Licenses and permits-				
Licenses	19,005	19,780	19,774	(6)
Permits	825	900	882	(18)
Total licenses and permits	<u>19,830</u>	<u>20,680</u>	<u>20,656</u>	<u>(24)</u>
Intergovernmental-				
State shared revenue:				
Beer tax	1,200	925	559	(366)
State grant	10,450	-	-	-
Police supplemental pay	-	-	1,200	1,200
Total intergovernmental	<u>11,650</u>	<u>925</u>	<u>1,759</u>	<u>834</u>
Charges for services-				
State highway maintenance fees	<u>3,200</u>	<u>4,800</u>	<u>3,200</u>	<u>(1,600)</u>
Fines and forfeits	<u>30,000</u>	<u>10,550</u>	<u>11,481</u>	<u>931</u>
Investment income	<u>5</u>	<u>5</u>	<u>4</u>	<u>(1)</u>
Miscellaneous	<u>2,600</u>	<u>7,675</u>	<u>17,021</u>	<u>9,346</u>
Total revenues	<u>161,500</u>	<u>142,410</u>	<u>141,752</u>	<u>(658)</u>
Expenditures:				
Current-				
General government:				
Salaries and wages	6,100	6,100	6,135	(35)
Utilities and telephone	15,000	16,500	16,531	(31)
Repairs and maintenance	8,000	7,000	7,089	(89)
Insurance	11,900	14,300	13,579	721
Printing and supplies	6,000	5,200	5,727	(527)
Professional services	20,500	15,300	15,388	(88)
Travel and training	8,100	6,150	6,056	94
Miscellaneous	<u>5,600</u>	<u>5,150</u>	<u>3,847</u>	<u>1,303</u>
Total general government	<u>81,200</u>	<u>75,700</u>	<u>74,352</u>	<u>1,348</u>

VILLAGE OF ESTHERWOOD, LOUISIANA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014
See Independent Auditors' Report

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety:				
Salaries and wages	10,200	10,275	10,750	(475)
Materials and supplies	3,400	3,350	3,111	239
Beeper	2,400	2,400	2,152	248
Repairs and maintenance	1,000	1,100	1,013	87
Insurance	5,750	5,750	5,070	680
Court cost	3,000	1,000	866	134
Miscellaneous	600	300	120	180
Total public safety	<u>26,350</u>	<u>24,175</u>	<u>23,082</u>	<u>1,093</u>
Public Works:				
Salaries and wages	22,000	22,000	21,908	92
Payroll taxes	10,000	10,500	3,101	7,399
Materials and supplies	7,250	2,100	1,857	243
Professional services	2,500	2,000	1,860	140
Repairs and maintenance	3,000	2,300	2,312	(12)
Rentals	-	-	-	-
Total public works	<u>44,750</u>	<u>38,900</u>	<u>31,038</u>	<u>7,862</u>
Debt Service-				
Principal	1,775	1,775	1,610	165
Interest	-	-	165	(165)
Total debt service	<u>1,775</u>	<u>1,775</u>	<u>1,775</u>	<u>-</u>
Capital Outlay	<u>23,650</u>	<u>12,200</u>	<u>20,745</u>	<u>(8,545)</u>
Total expenditures	<u>177,725</u>	<u>152,750</u>	<u>150,992</u>	<u>1,758</u>
Other Financing Uses:				
Transfers out	<u>-</u>	<u>-</u>	<u>(340,606)</u>	<u>(340,606)</u>
Net change in fund balance	(16,225)	(10,340)	(349,846)	(339,506)
Fund balance, beginning	<u>16,625</u>	<u>21,740</u>	<u>373,137</u>	<u>351,397</u>
Fund balance ending	<u>\$ 400</u>	<u>\$ 11,400</u>	<u>\$ 23,291</u>	<u>\$ 11,891</u>

1. BUDGETS AND BUDGETARY ACCOUNTING

The Village of Estherwood, Louisiana follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is then legally enacted through passage of an ordinance.
4. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budget is employed as a management control device during the year that assists its users in financial activity analysis.

All budget appropriations lapse at year end. The budgets presented are the originally adopted and the final amended budget.

VILLAGE OF ESTHERWOOD, LOUISIANA
REPORT ON COMPLIANCE AND INTERNAL CONTROL
JUNE 30, 2014



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Anthony Borill, Mayor
and the Board of Aldermen
Village of Estherwood, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Estherwood, Louisiana (the Village), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Village of Estherwood's basic financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings to be a material weakness [#2014-1].

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

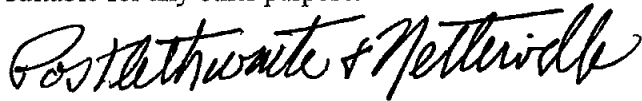
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Village's Response to Finding

The Village's response to the finding identified in our audit is described in the accompanying schedule of findings. The Village's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lafayette, Louisiana
January 14, 2015

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal Control over Financial Reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

2014-1 Segregation of Duties

Criteria: Segregation of duties should be adequate within the Village's accounting function to provide effective internal control.

Condition: There is inadequate segregation of duties within the Village's accounting function. As a result, accounting clerks have the ability to handle cash and checks received by the Village as well as recording and depositing these receipts into the accounting system. Additionally, the accounting clerks have the ability to make adjustments to customer accounts without approval. While internal control procedures are set up to require approval of the Mayor before adjustments are made, the utility software does not have the ability to restrict access.

Cause: Entities with few employees in the accounting department typically have difficulty with establishing formal internal control procedures due to limited resources available. In addition, the Village's utility software system is limited in its ability to restrict access to administrative rights.

Effect: The segregation of duties is inadequate to provide effective internal control.

VILLAGE OF ESTHERWOOD, LOUISIANA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

B. FINDINGS-FINANCIAL STATEMENTS AUDIT (continued)

2014-1 Segregation of Duties (continued)

Recommendation: Understanding that the Village's size may make it unfeasible to adequately staff an accounting department sufficient to segregate duties, we recommend that management consider the following: (1) the ability to handle cash, record receipts, and make deposits should be segregated to the extent possible; (2) bank statements and/or bank reconciliations should be reviewed by the Mayor monthly; (3) all adjustments to utility customer accounts should be reviewed and approved by the Mayor. Documentation of this approval should be noted on the adjustment report. An adjustment report should be generated on a monthly basis and reviewed by the Mayor for proper approval of all adjustments.

View of Responsible Official and Planned Corrective Action

We concur with the finding and will review and consider implementation of internal controls related to the handling of cash receipts. We will also review procedures over adjustments to customer accounts.